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**1989/06/01**

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EXCISE

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SECRETARY'S MORNING SUMMARY FOR JUNE 1, 1989

1. CHINA: THE CONSERVATIVE PROGRAM  
THE POWER STRUGGLE IN BEIJING CONTINUES, AND LEADERS ARE  
LARGELY PREOCCUPIED WITH THE SCOPE AND SEVERITY OF THE  
EXPECTED PURGES. BUT SOME OF THE POLICY CHANGES CONSERVA-  
TIVES HOPE TO MAKE ARE SUGGESTED BY THE CHARGES AGAINST  
ZHAO ZIYANG AND STATEMENTS BY PREMIER LI PENG AND OTHERS.  
NEW POLICIES TO ADDRESS ECONOMIC PROBLEMS OR TO RESHAPE  
CHINA'S INTERNATIONAL STANCE ARE UNLIKELY.

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RETURN TO LENINIST ORTHODOXY

ZHAO, LIKE HU YAOBANG BEFORE HIM, IS NOW ACCUSED OF OPPOSING EFFORTS TO CURB "BOURGEOIS LIBERALIZATION." CONSERVATIVES WILL TAKE ADVANTAGE OF THEIR NEW OPPORTUNITY TO HOLD MEETINGS FOR IDEOLOGICAL RE-EDUCATION AND SELF-CRITICISM IN PARTY CELLS NATIONWIDE, FORCE PLEDGES OF LOYALTY FROM OFFICIALS, AND OUST "HERETICS." INVESTIGATIONS NOW BEING LAUNCHED INTO PEOPLES' ACTIONS DURING THE DEMONSTRATIONS PROBABLY WILL RESULT IN DEMOTION FOR MANY REFORMISTS AND THE RETURN OR RISE OF CONSERVATIVE LOYALISTS.

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ECONOMIC RETRENCHMENT

THE CONSERVATIVES' TOP ECONOMIC PRIORITY WILL BE TO STRENGTHEN THE AUSTERITY PROGRAM UNVEILED LAST YEAR.

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REVERSION TO A THIRD-WORLD STANCE

PREMIER LI, IN HIS FIRST PUBLIC APPEARANCE UNDER MARTIAL LAW, CAREFULLY CHOSE SYMBOLISM AND RHETORIC REMINISCENT OF CHINA'S "THIRD-WORLD" ORIENTATION OF THE 1970S, WHEN RELATIONS WITH BOTH SUPERPOWERS WERE COOL. MEETING WITH THREE AMBASSADORS REPRESENTING NONCOMMUNIST COUNTRIES IN ASIA, AFRICA, AND LATIN AMERICA, LI AFFIRMED AN INTENTION TO PURSUE AN "INDEPENDENT FOREIGN POLICY OF PEACE" AND STRENGTHEN "FRIENDSHIP AND COOPERATION" WITH THIRD-WORLD COUNTRIES. HE IMPLICITLY WARNED OTHERS, PRESUMABLY INCLUDING BOTH THE UNITED STATES AND THE SOVIET UNION, THAT THE MAINTAINING "GOOD" RELATIONS WILL DEPEND ON NON-INTERFERENCE IN CHINA'S INTERNAL AFFAIRS; HE ASKED FOREIGN OBSERVERS TO WAIT A WHILE BEFORE REACHING JUDGMENT.

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